

Making the Case

Californians and their state government face a number of challenges: from stagnant educational performance to rising health care, housing and energy costs. These pressures are felt by families and communities alike, and have gone unresolved for too long.

The State plays a critical role in addressing these and numerous other problems. And the public and policy-makers recognize that the performance of state government has lagged. The federal government has fined the State more than \$1 billion for failing to meet federal standards for child support enforcement.⁷ Hundreds of millions more have been squandered on faulty computer systems, frivolous expenses and dubious community grants.

But the greatest expense facing the State is the cost of ineffective services. For years, California's parole system has been the most expensive and least productive in the nation – spending nearly \$1 billion reincarcerating parolees.⁸ Similarly, the State invests \$5 billion in community colleges each year – the most expansive and affordable higher education system in the country. But students walk away from one-in-five courses – costing the State nearly \$1 billion in lost educational opportunity.⁹ And nearly 100,000 children sit in the purgatory of the State's \$2 billion foster care system – looking for hope and permanency but often finding more pain, suffering and abuse.¹⁰

The State also has notable achievements. Over 3 million students gained access to affordable higher education through California's public colleges and universities.¹¹ California leads the nation in reducing smoking among adults and teenagers.¹² Focused educational efforts and improved policies have resulted in more children being placed in carseats and more adults wearing seatbelts. The State has one of the lowest infant mortality rates in the country.¹³ And despite significant population growth, more cars and more commerce, air quality is improving.¹⁴

In many ways, tracking poor outcomes is easier than documenting achievements. Press stories, audit reports and constituent complaints document failings. But success often goes unheralded. Yet as with these examples, the State operates many programs recognized for

success. Skilled managers, supported with clear goals and sufficient authority can translate policy into public outcomes.

To improve outcomes throughout state government, policy-makers must shift their attention to the routine state operations that determine whether people are well served. And they should focus on equipping the administration with a corps of professional managers who recognize that the work of government is important, difficult and can be improved.

Personnel reforms should be prioritized for three reasons:

1. Policy-makers are inundated with crises that could be avoided through improved management. California's prison system needs fundamental reforms. Each day that the Bay Bridge goes unfinished adds to its costs. And poorly monitored community grants heighten public mistrust of policy-makers and public servants.

Poor Management Increases Costs, Lowers Quality...

Mismanagement increases public costs.

- The Department of Corrections fails to utilize strategies shown in other states to be effective. Instead, the department spent over \$900 million re-incarcerating parolees.
- Poor planning, lack of reliable data and inability to hire pharmacists at the Department of Health Services have cost the State \$104 million. The department's mismanagement of drug rebates has cost the State up to \$216 million.
- Flawed negotiating practices, payment of inappropriate and invalid medical claims, and inconsistent oversight of medical service contracts at the Department of Corrections has resulted in overpayments and driven up public costs.

Poor management delays improvements.

- The State spends \$65 billion on health and human services. Still, despite a decade of troubling reviews and an annual investment of \$20 million on oversight and advisory bodies within the Health and Human Services Agency, monitoring fails to drive improvements.
- The Department of Health Services has not followed standard practices in implementing a comprehensive disease management program to improve care and reduce costs.
- The Commission on Teacher Credentialing issues licenses and permits for teachers, school administrators and specialized educators. Some 239,000 licenses and renewals were issued in fiscal year 2003-04. But weak management and inefficient use of an automated electronic processing system has increased costs and delayed services.

Weak management draws federal investigations and fines.

- A U.S. Department of Justice review of Metropolitan State Hospital found severe deficiencies in the management of nearly every aspect of the hospital's operation. The Department of Mental Health has failed to protect the rights of the children and adults in its care and delayed their recovery.
- A 1988 federal law required all states by 1997 to develop automated systems to ensure parents are making appropriate child support payments. Because California is not in compliance, by the end of fiscal year 2005-06 the State will have paid almost \$1.2 billion in federal penalties.

Sources: See page 76.

Government is inherently a people operation. To avoid future crises, quash the recurring emergencies that detract from sustained improvement and stabilize the costs of public programs, the State must ensure that public servants – particularly the managers, supervisors and senior executives – are talented, well equipped for the challenges ahead, and sufficiently motivated to meet public goals.

2. Government assumes the responsibility that no one else wants, but must get done. The mission of state government is vast and essential: protecting public health, preserving the environment, and promoting the prosperity of current and future Californians. Succeeding with this diverse mission is inherently difficult. Building a car is difficult, and the best minds are challenged by the task of doing so efficiently and competitively. But addressing poverty, curing addiction, stopping crime, and integrating immigrants – these are nearly impossible tasks that require the best managers, the most talented workers and dedicated

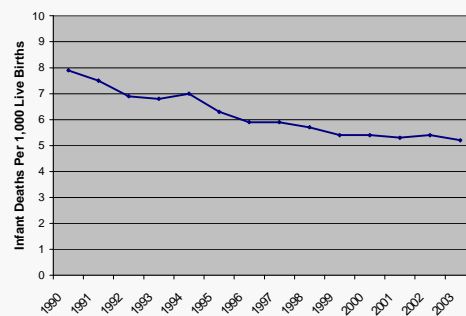
...But Quality Management Improves Outcomes

Infant death rates in California are down.

Infant death rates are one of the most widely used indicators of overall community health.

California's effort to educate families on how to prevent Sudden Infant Death Syndrome reduced the rate of SIDS deaths by 20 percent from 1999 to 2001. Paired with improved treatment practices for infants and other prevention approaches, overall infant death rates have declined from 7.9 in 1990 to 5.2 in 2003, one of the lowest in the nation.

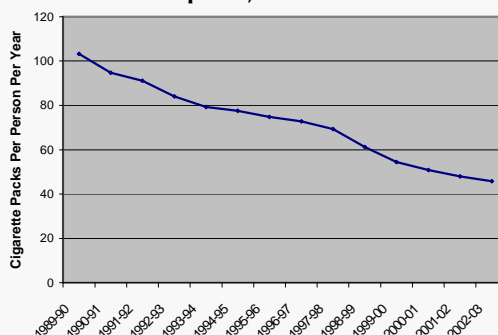
California Infant Mortality Rate



Fewer Californians are smoking and cancer rates are down.

In 1988, voters approved the Tobacco Tax and Health Promotion Act, which increased cigarette taxes and earmarked funds to reduce tobacco consumption. The State's anti-tobacco strategy has four broad priorities: reducing exposure to second-hand smoke, countering the influence of the tobacco industry, reducing the availability of tobacco products and providing cessation services. In combination with additional taxes on tobacco products, the State's strategy has paid off. From 1989 to 2002, cigarette consumption was down by 56 percent, and lung and related cancers also were down.

California Adult Per Capita Cigarette Consumption, Packs Per Year



Despite population growth, air quality is up and pollution levels are down. Through an array of strategies – including the promotion of technological advancements, tighter emission standards, and better control measures – Californians are enjoying improved air quality. From 1990 to 2003, pollution indicators for ozone, carbon monoxide and particulate matter showed improvements of 43 percent, 60 percent, and 27 percent respectively.

Sources: See page 76.

professionals. But the State has not designed its personnel system to recruit and retain the best and it fails to even train its existing workforce to respond to expanding and emerging needs.

3. *Managing public programs is inherently difficult.* Unlike a business, government must work openly. It is governed by separate and often antagonistic branches, and exposed to the politics of elections and party differences. Government is not designed to be the most efficient. It is intended to be reliable. But that does not preclude good management and continuously improving performance. Policy-makers, however, have not made strategic investments in the quality of state management. The State has no leader charged with ensuring all state managers are well-qualified and appropriately equipped. The State does not monitor the quality of management hiring decisions, ensure that appropriate professional development and training are available, or ensure the availability and use of sound management tools. Nor has the State worked to reduce the complexity of management requirements. To improve outcomes, the State must ensure that managers have clear goals, appropriate direction and the capacity to influence outcomes.

The State succeeds when...

- ***Goals are clear.*** Clear goals allow managers to focus resources to meet expectations and are easily understood by each employee, the public and policy-makers.
- ***Evidence is developed.*** Equipped with information, and the discretion to alter practices, managers can employ proven and innovative strategies to improve outcomes.
- ***Performance is tracked.*** Performance data allow managers to track outcomes, call for improvements and replicate successes.
- ***Human resources are a priority.*** Equipped with a research-based strategy for improvement, and the necessary resources, managers can ensure that workers have the skills needed to improve outcomes.

4. *Performance matters.* Each public program can improve. When public programs fail or falter, all Californians are impacted. When they excel, quality of life goes up and costs go down. But the performance of government is not consistently documented, promoted or analyzed in ways that drive improvements. Thus public programs often must fail dramatically and publicly before changes are sought, improvements implemented and outcomes monitored. And successful programs are rarely highlighted. As a result, the State forgoes opportunities to learn from its successes and create new opportunities for improvement.

Successful governments – at the federal, state and local levels – are focused on public goals and equipping their managers to improve performance. Leading-edge agencies are building, managing and rewarding their teams to attract the best and the brightest, motivate performance and recognize success. These three themes are outlined in the following chapters.